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BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268–0001

PERIODIC REPORTING (PROPOSAL NINE)	Docket No. RM2017-13

PETITION OF THE UNITED STATES POSTAL SERVICE FOR THE INITIATION OF A PROCEEDING TO CONSIDER PROPOSED CHANGES IN ANALYTICAL PRINCIPLES (PROPOSAL NINE)
(September 29, 2017)

Pursuant to 39 C.F.R. § 3050.11, the Postal Service requests that the Commission initiate a rulemaking proceeding to consider a proposal to change analytical principles relating to the Postal Service's periodic reports. The proposal, relating to sampling procedures for the DPS portion of CCCS data used for the distribution of city carrier costs within the CRA Report, is labeled Proposal Nine and is discussed in detail in the attached text.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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PROPOSAL NINE

Proposal to Change the Current City Carrier Cost System (CCCS) Methodology for Estimating Delivery Point Sequence (DPS) Volume Proportions

OBJECTIVE:

This proposal involves a methodology change in CCCS data collection procedures (and thus ultimately the volume proportion estimation procedures used for cost distribution) for a specific portion of the mailstream -- certain mail that has been Delivery Point Sequenced, or DPS mail. Specifically, starting in FY 2018, this proposal seeks to use data from Origin-Destination Information System – Revenue, Pieces, and Weight (ODIS-RPW) digital samples destined for delivery by city carriers to enhance the estimation of CCCS delivered DPS volumes and replace a large portion of manual sampling of DPS letter trays by CCCS data collectors.

BACKGROUND:

The City Carrier Cost System (CCCS) is a continuous, ongoing cross-sectional statistical study, or probability sample of city carrier route-days. Approximately 8,400 CCCS samples are scheduled each Fiscal Year. For each selected route-day, a sample of mail is selected, and for each selected mailpiece, the class, product, and other characteristics are recorded directly into a portable microcomputer using the Computerized On-Site Data Entry Systems (CODES) software. CCCS data are primarily used to distribute city carrier costs among the products city carriers deliver.

Meanwhile, over on the volume and revenue estimation side of the house, ODIS-RPW is also a probability based destinating mail sampling system in which data

collectors are also recording mail characteristics from sampled mail pieces. Since the approval of Proposal Three in Docket No. RM2015-11 in Commission Order No. 2739 (September 30, 2015), ODIS-RPW data collectors enter mail characteristics from digitally captured images of letter- and card- shaped mail from Delivery Barcode Sequence (DBCS) second pass operations, eliminating the need for manual sampling of DPS letters and cards. ODIS-RPW digital data are expanded to produce ZIP-Day DPS estimates. Mailpiece information obtained from ODIS-RPW digital sampling is similar to CCCS DPS data elements, including the destinating carrier route number. Currently, the ODIS-RPW digital sampling frame of ZIP-Days covers approximately 93 percent of the CCCS frame of city letter routes.

PROPOSAL:

This proposal would allow utilization of the same digital data (regarding DPS pieces destined for delivery by city letter routes) currently employed by ODIS-RPW to simultaneously enhance the CCCS estimation of delivered DPS volumes, and to thereby eliminate the separate need to manually sample a large portion of DPS mail in CCCS. As ODIS-RPW digital data were made available, CCCS personnel would isolate the data destined for city letter routes using the image attribute file that contains the destinating city route number. Next, SAS programs would map the ODIS-RPW data to mailcodes and data elements used by CCCS. Using processes similar to CCCS, Stratification and End-of-Run control totals would be used to expand the ODIS-RPW digital city data to ZIP-Day estimates (first stage) and national estimates (second stage). For detailed information, please see the CCCS Digital System documentation electronically attached to this Proposal as a pdf document. For city letter routes in ZIP

Codes that are not included in the ODIS/RPW digital sampling frame, the current methodology of manually sampling DPS mail would continue, and those estimates would be combined with the digital DPS estimates to produce the distribution key for DPS mail used to apportion street activity costs to categories of mail in Cost Segment 7 (CS7) of the CRA.

RATIONALE:

The Postal Service believes that including ODIS-RPW digital data would greatly enhance the CCCS DPS estimates. In essence, this proposal would substantially magnify the benefits of the movement towards utilization of digital data already approved by the Commission in Order No. 2739. Although manual DPS mail sampling of CCCS routes in ZIPS not included in the ODIS-RPW digital frame (about 7 percent of routes) would continue, CCCS data collectors on most CCCS tests would no longer have to take the time to pull sample mailpieces from DPS letter trays. This would allow them more time to devote to sampling other mail types, like parcels and cased letters and flats. Additionally, this may help to avoid delaying the carrier leaving the office to deliver mail.

Because the automated, systematic method of collecting images of DPS letters and cards is used to collect the sample, this proposal of replacing manual sampling would reduce the risk of undetected sampling errors. Additionally, the retention of the mailpiece images for thirty days would allow for review and post-analysis by data collectors and their supervisors.

The use of ODIS-RPW digital data destined for city carriers would increase the number of DPS sampled mailpieces by approximately 400 percent. Quarterly, there are approximately 200,000 DPS mailpieces currently sampled in CCCS. Using the digital data from ODIS-RPW, approximately 1,000,000 mailpieces would be sampled. The number of CCCS tests would increase by approximately 300 percent. Quarterly, there are now approximately 2,100 CCCS tests. The number of ODIS-RPW digital tests that sample mail that will be delivered by city carriers is approximately 8,000 per quarter. [1]

IMPACT:

The attached table presents estimates of how FY 2016 distribution factors (for the DPS distribution key) and unit costs might have changed under Proposal Nine based on analysis of data compiled from FY17 PQ3 using both the established and the proposed CCCS methodologies. The adjusted distribution factors flowing from the proposed methodology are based on an alternative run of CCCS applying the contemplated Proposal Nine procedures to preliminary FY17 YTD (PQ3) DPS digital data collected by ODIS-RPW data collectors. For categories with substantial letter-shaped volumes that are handled in DPS operations, the first two columns of the table show very minor changes in distribution factors, and the third column shows very small estimated changes in unit costs. Categories without substantial letter-shaped volumes handled in DPS operations would be either entirely or almost entirely unaffected by the

[1] Although Proposal Nine would not alter reporting for FY 2017, the sooner the proposal is reviewed, the sooner in FY 2018 CCCS data collectors could potentially begin to take advantage of the ability to redirect sampling efforts, and the sooner the other benefits could potentially be achieved as well.

proposal. Details of the impact analysis are presented in the Excel file ("Prop.Nine.Impact.xlsx") attached to this pleading electronically.

Impact of Proposal Nine

	FY16 ACR DPS DK Proportions	Proposed FY16 ACR DPS DK Proportions	Proposed C/S 7 Unit Cost Difference w/PiggyBacks
Domestic Market Dominant Products			
First-Class Mail			
Single-Piece Letters	12.00%	12.38%	$ 0.0005
Single-Piece Cards	0.57%	0.58%	$ 0.0002
Presort Letters	34.88%	34.39%	$ (0.0003)
Presort Cards	1.54%	1.52%	$ (0.0002)
Single-Piece Flats			$ (0.0000)
Presort Flats			$ -
Parcels			$ (0.0000)
Standard Mail			
High Density and Saturation Letters	5.64%	6.97%	$ 0.0047
High Density and Saturation Flats/Parcels			$ (0.0000)
Every Door Direct Mail-Retail			$ -
Carrier Route	0.17%	0.03%	$ (0.0005)
Letters	44.87%	43.59%	$ (0.0006)
Flats			$ -
Parcels			$ -
Total Periodicals	0.04%	0.03%	$ -
Bound Printed Matter Flats	0.00%	0.00%	$ (0.0000)
US Postal Service	0.20%	0.39%	$ 0.0108
Free Mail	0.00%	0.00%	$ 0.0003
Total Domestic Competitive Mail and Services	0.00%	0.00%	$ (0.0000)
Total International Mail And Services	0.08%	0.11%	$ 0.0006
	100%	100%	